

16 APR 1962

MEMORANDUM FOR: Legislative Counsel

SUBJECT : Comments on H. R. 10706, A Bill to Amend the Civil Service Retirement Act

1. House Resolution 10706 proposes to add three new Sections to the "Civil Service Retirement Act". Present Section 18, titled, "Short Title", under this proposal would become new Section 21, and new Sections 18, 19 and 20 would be added and entitled, "Increases in Annuity", "Transfer of Social Security Credits", and "Transfer of Civil Service Credits" respectively. These Sections will be commented on separately since they propose distinctly different subject matter. Comment will not be made regarding routine technical features unless they are considered ambiguous.

2. Section 18, INCREASES IN ANNUITY

A. This Section proposes the following:

(1) That the Civil Service Commission will at the first general adjustment of the rates of compensation of classified employees also effect an increase (approximately equal to the average increase in the rates of compensation) in the annuities of persons retired under the Civil Service Retirement Act (including those receiving survivor annuities).

(2) An increase in the annuities of those persons who retire in the five year period immediately subsequent to the effective date of the general adjustment. This is on a decreasing percentage basis depending on the length of time after the effective date of the general pay adjustment that the person retires.

(3) That dependant on a rise in the cost of living, based on the Consumer Price Index of the Bureau of Labor Statistics, the Civil Service Commission would determine and apply a commensurate percentage increase in annuities. The Civil Service Commission would make this determination a year after the effective date of the adjustment and annually thereafter.

B. It is recommended that the Agency take a favorable position with regard to these three provisions. For a long period of time most pay studies, and recently the President's pay plan proposal, have shown that the pay structure of classified employees is out of balance and below

comparable rates for industry. It is considered that it would be inequitable to effect a pay adjustment under these conditions if consideration was not given to those persons who had given long and faithful service and who had earned and were receiving an annuity. The annual review by the Civil Service Commission in relation to the Consumer Price Index would serve to keep annuities in line with the cost of living. This is considered particularly pertinent because generally annuities are well below the annuitants normal earned income. While no provision is made for a downward adjustment in the event of a decrease in the cost of living the current long range trend points to continued increase.

3. Section 19, TRANSFER OF SOCIAL SECURITY CREDITS

A. The proposals in this Section would make it possible for a person retiring under the Civil Service Retirement System to have credited to their federal service one or more quarters of social security eligibility provided they were not fully insured under Title II of the Social Security Act. Civil Service Retirement Credit of three months for each quarter would be given. This would occur at the time of computing the annuity if the retiree was 62 years of age or older. The annuity would be recomputed for this purpose at age 62 for those persons who became annuitants prior to age 62. This provision would not be retroactive and would apply only to those persons who retired after the enactment of this bill. This is a desirable feature which the Agency should endorse. This permits an individual to determine whether he wants to pay a reasonable amount to have added to his federal service a period of employment creditable under Social Security which otherwise would be lost under Federal Civil Service. Experience indicates that such crediting would generally be advantageous to both the individual and the Agency.

B. Section 19 (c), (2), (i) requires clarification with regard to which "average salary" and which "quarter" there is reference to here.

4. Section 20, TRANSFER OF CIVIL SERVICE CREDITS

A. This feature is the converse of Section 19 above in that it permits the crediting under the Social Security System of a period of less than five years of creditable service under the Civil Service Retirement Act. It is also considered that the Agency should favorably endorse this feature of the subject bill to permit coverage of up to five years of federal service not otherwise covered under a retirement program.

5. H. R. 10706 also proposes to amend Section 9 (g) of the Civil Service Retirement Act to take away the option presently residing with all male employees,


and with female employees with dependant husbands, of providing their respective wives or dependant husbands with a survivor annuity.

It is recommended that the Agency take a position adverse to this proposed amendment for the following reasons:

- A. The number of husbands and wives with dependant husbands who do not elect a survivor annuity is very small.
- B. There are many cases where there is no necessity for the wife to be provided with a survivor annuity and, of course, the husband would unnecessarily be receiving a reduced annuity during the remainder of his lifetime.
- C It is believed that the desired result can be achieved by having a survivor annuity automatically provided unless there is a positive statement signed by the employee to the effect that he does not wish to provide a survivor annuity. This could be taken care of routinely on forms completed at time of making application for retirement.

6. This review did not take into consideration the question of whether as a result of the proposal in H. R. 10706, change should also be made in the Social Security Act. The costs of these additional features was not taken into consideration in making these comments. This is considered a matter of comment for the Board of Actuaries of the Civil Service Commission.

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Emmett D. Echols
Director of Personnel

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FROM: Director of Personnel		
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